

## Exhibit 300: Part I: Summary Information and Justification (All Capital Assets)

## I.A. Overview

<b>1. Date of Submission:</b>	
<b>2. Agency:</b>	Department of State
<b>3. Bureau:</b>	Resource Management
<b>4. Name of this Capital Asset:</b>	Consolidated American Payroll System (CAPPS) and Interagency ePayroll Migration
<b>5. Unique Project (Investment) Identifier: (For IT investment only, see section 53. For all other, use agency ID system.)</b>	014-00-01-01-01-1146-00
<b>6. What kind of investment will this be in FY2008? (Please NOTE: Investments moving to O&amp;M ONLY in FY2008, with Planning/Acquisition activities prior to FY2008 should not select O&amp;M. These investments should indicate their current status.)</b>	Mixed Life Cycle
<b>7. What was the first budget year this investment was submitted to OMB?</b>	FY2002
<b>8. Provide a brief summary and justification for this investment, including a brief description of how this closes in part or in whole an identified agency performance gap:</b>	
<p>BACKGROUND The Consolidated American Payroll Processing System (CAPPS) generates payments to all U.S. citizen employees of DoS and other serviced agencies. The system makes payments to Foreign Service employees, Civil Service employees, and Personal Services Contractors; all of which are subject to Federal legislation and pay plans. It excludes foreign nationals, who are paid using other systems that operate in a manner unique to the foreign localities. CAPPS serves as the central repository of American payroll information and has been in operation for 23 years. Having long since achieved a Steady State Mode of Operations, CAPPS incurs maintenance costs to support new federal regulations (e.g. changes promulgated by OPM and IRS) and DoS policy changes. A STRATEGY TO MOVE TO INTERAGENCY E-PAYROLL DoS has been an active participant in the government-wide e-Payroll Consolidation effort and was granted an exemption by OPM for mandated migration to a service provider by 9/30/04. DoS, along with its serviced payroll partners, determined that the USDA payroll solution appears to best meet its combined needs. The National Finance Center (NFC), the USDA unit that provides the e-Payroll service, is in the process of completing a joint "Gap Analysis" with the DoS. The resulting document will provide a basis for finalizing the investment's roadmap, as it will define migration costs as well as the cutover schedule NFC is prepared to support. Per our recent agreement with OMB, OPM and NFC, DoS expects to complete this migration in FY09. INTERIM OPERATIONS During the interim transition period, DoS will continue to operate CAPPS in a reduced Steady State mode to ensure that its own serviced agency employees receive uninterrupted accurate and timely payments. This remaining CAPPS' Steady State investment does not include discretionary changes, but covers operating costs and mandatory statutory, regulatory and policy changes until such time it is fully transitioned, under the e-Payroll initiative to the one of the OPM approved Interagency e-Payroll providers.</p>	
<b>9. Did the Agency's Executive/Investment Committee approve this request?</b>	Yes
<b>a. If "yes," what was the date of this approval?</b>	8/4/2006
<b>10. Did the Project Manager review this Exhibit?</b>	Yes
<b>12. Has the agency developed and/or promoted cost effective, energy efficient and environmentally sustainable techniques or practices for this project.</b>	No
<b>a. Will this investment include electronic assets (including computers)?</b>	No

<b>b. Is this investment for new construction or major retrofit of a Federal building or facility? (answer applicable to non-IT assets only)</b>	No
<b>1. If "yes," is an ESPC or UESC being used to help fund this investment?</b>	
<b>2. If "yes," will this investment meet sustainable design principles?</b>	
<b>3. If "yes," is it designed to be 30% more energy efficient than relevant code?</b>	
<b>13. Does this investment support one of the PMA initiatives?</b>	Yes
<b>If "yes," check all that apply:</b>	Financial Performance, Expanded E-Government, Competitive Sourcing, Eliminating Improper Payments
<b>13a. Briefly describe how this asset directly supports the identified initiative(s)?</b>	Competitive Sourcing - DoS selected NFC after evaluating the offerings of each of the e-Payroll providers approved by OPM. Expanded e-Government - The above action fully aligned DoS's American payroll operation with the e-Payroll component of the PMA. Improved Financial Performance & Eliminating Improper Payments - The migration of American payroll operations to NFC will enable the Department to leverage the best practices used by NFC's 500,000 customers.
<b>14. Does this investment support a program assessed using the Program Assessment Rating Tool (PART)? (For more information about the PART, visit <a href="http://www.whitehouse.gov/omb/part">www.whitehouse.gov/omb/part</a>.)</b>	No
<b>a. If "yes," does this investment address a weakness found during the PART review?</b>	No
<b>b. If "yes," what is the name of the PART program assessed by OMB's Program Assessment Rating Tool?</b>	
<b>c. If "yes," what PART rating did it receive?</b>	
<b>15. Is this investment for information technology?</b>	Yes
<b>If the answer to Question: "Is this investment for information technology?" was "Yes," complete this sub-section. If the answer is "No," do not answer this sub-section.</b>	
<b>For information technology investments only:</b>	
<b>16. What is the level of the IT Project? (per CIO Council PM Guidance)</b>	Level 2
<b>17. What project management qualifications does the Project Manager have? (per CIO Council PM Guidance):</b>	(1) Project manager has been validated as qualified for this investment
<b>18. Is this investment identified as "high risk" on the Q4 - FY 2006 agency high risk report (per OMB's "high risk" memo)?</b>	Yes
<b>19. Is this a financial management system?</b>	Yes
<b>a. If "yes," does this investment address a FFMI A compliance area?</b>	No
<b>1. If "yes," which compliance area:</b>	
<b>2. If "no," what does it address?</b>	This investment addresses the e-Payroll initiative that falls under the President's Management Agenda (PMA).
<b>b. If "yes," please identify the system name(s) and system acronym(s) as reported in the most recent financial systems inventory update</b>	

**required by Circular A-11 section 52**

Consolidated American Payroll System (CAPPS)

**20. What is the percentage breakout for the total FY2008 funding request for the following? (This should total 100%)**

<b>Hardware</b>	0
<b>Software</b>	0
<b>Services</b>	100
<b>Other</b>	
<b>21. If this project produces information dissemination products for the public, are these products published to the Internet in conformance with OMB Memorandum 05-04 and included in your agency inventory, schedules and priorities?</b>	N/A
<b>23. Are the records produced by this investment appropriately scheduled with the National Archives and Records Administration's approval?</b>	Yes

**I.D. Performance Information**

In order to successfully address this area of the exhibit 300, performance goals must be provided for the agency and be linked to the annual performance plan. The investment must discuss the agency's mission and strategic goals, and performance measures must be provided. These goals need to map to the gap in the agency's strategic goals and objectives this investment is designed to fill. They are the internal and external performance benefits this investment is expected to deliver to the agency (e.g., improve efficiency by 60 percent, increase citizen participation by 300 percent a year to achieve an overall citizen participation rate of 75 percent by FY 2xxx, etc.). The goals must be clearly measurable investment outcomes, and if applicable, investment outputs. They do not include the completion date of the module, milestones, or investment, or general goals, such as, significant, better, improved that do not have a quantitative or qualitative measure.

Agencies must use Table 1 below for reporting performance goals and measures for all non-IT investments and for existing IT investments that were initiated prior to FY 2005. The table can be extended to include measures for years beyond FY 2006.

**Performance Information Table 1:**

<b>Fiscal Year</b>	<b>Strategic Goal(s) Supported</b>	<b>Performance Measure</b>	<b>Actual/baseline (from Previous Year)</b>	<b>Planned Performance Metric (Target)</b>	<b>Performance Metric Results (Actual)</b>
2003	Strategic Goal 12: Management and Organizational Excellence: Ensure a high quality workforce supported by modern and secure infrastructure and operational capacities/ Resource Management	Percent of employees satisfied that they are receiving accurate service need differential payments measured by comparing number of payments distributed to number of trouble calls received about inaccurate or untimely payments.	Service need differential payment accuracy less than 70%	Increase accuracy of Service Need Differential Payments to 85%.	Accuracy rate greater than 85%
2004	Strategic Goal 12: Management	Number of employees taking	Employees are unable to take	Increase Number of Employees	1709 employees as of 8/04.

	and Organizational Excellence: Ensure a high quality workforce supported by modern and secure infrastructure and operational capacities/ Resource Management	advantage of one of the pre-tax Flexible Spending Accounts as measured by reviewing the records after the first full open season.	advantage of Flexible Spending Accounts features.	using Flexible Spending Accounts to greater than 8000.	
2004	Strategic Goal 12: Management and Organizational Excellence: Ensure a high quality workforce supported by modern and secure infrastructure and operational capacities/ Resource Management	Percent of employees satisfied that they are receiving accurate service need differential payments measured by comparing number of payments distributed to number of trouble calls received about inaccurate or untimely payments.	Service need differential payment accuracy less than 85%	Increase accuracy of Service Need Differential Payments to 90%.	Accuracy was 95%

**All new IT investments initiated for FY 2005 and beyond must use Table 2 and are required to use the Federal Enterprise Architecture (FEA) Performance Reference Model (PRM). Please use Table 2 and the PRM to identify the performance information pertaining to this major IT investment. Map all Measurement Indicators to the corresponding "Measurement Area" and "Measurement Grouping" identified in the PRM. There should be at least one Measurement Indicator for at least four different Measurement Areas (for each fiscal year). The PRM is available at [www.egov.gov](http://www.egov.gov).**

Performance Information Table 2:							
Fiscal Year	Measurement Area	Measurement Category	Measurement Grouping	Measurement Indicator	Baseline	Planned Improvement to the Baseline	Actual Results
2005	Customer Results	Customer Benefit	Customer Satisfaction	Percent reduction in manual/corrected W-2s produced.	In FY04, 60 W-2Cs were produced.	2% reduction	42% reduction achieved -- (NOTE: this activity has been concluded for FY05).
2005	Customer Results	Customer Benefit	Customer Satisfaction	Percent of employee payments made by scheduled pay date.	95%	96%	99% of FY05 employee salary payments were made by the scheduled end date
2005	Mission and Business Results	Human Resource Management	Compensation Management	Percent reduction of manual T&A transactions.	The number of manual T&A transactions input/corrected for FY2004 was 14,253.	2% reduction in manual T&A transactions	Actuals through August 31, 2005: 30,093 T&A adjustments were applied. This is 111% higher than the previous year.
2005	Technology	Efficiency	Improvement	Percent reduction in unique types of pay-related Nature of Actions that require manual processing in CAPPS.	In FY04, 195,881 "special" transactions (such as differentials, allowance, and special pay) were processed.	2% reduction	Actuals through August 31, 2005: 164,607 special actions have been processed. This is 84% of the previous fiscal year total.
2006	Customer Results	Customer Benefit	Customer Satisfaction	Percent reduction in manual/corrected W-2s produced.	60	3% reduction	Actuals through March 31, 2006: 65 which is 8% higher than the baseline.
2006	Customer Results	Customer Benefit	Customer Satisfaction	Percent of employee payments made by scheduled pay date.	95%	97%	99% of FY06 employee salary payments were made by the scheduled end date
2006	Mission and Business Results	Human Resource Management	Compensation Management	Percent reduction of manual T&A transactions.	14,253 transactions	3% reduction in manual T&A	Actuals through March 31, 2006: 22,752 T&A

						transactions	adjustments, which is 60% higher than the baseline number
2006	Technology	Efficiency	Improvement	Percent reduction in unique types of pay-related Nature of Actions that require manual processing in CAPPS.	195,881	3% reduction	Actuals through March 31, 2006: 82,575, which is 58% lower than the baseline number.
2007	Customer Results	Customer Benefit	Customer Satisfaction	Percent reduction in manual/corrected W-2s produced.	60	5% reduction	
2007	Customer Results	Customer Benefit	Customer Satisfaction	Percent of employee payments made by scheduled pay date.	95%	98%	99% of FY06 employee salary payments were made by the scheduled end date
2007	Technology	Efficiency	Improvement	Percent reduction in unique types of pay-related Nature of Actions that require manual processing in CAPPS.	195,881	4% reduction	
2008	Customer Results	Customer Benefit	Customer Satisfaction	Percent reduction in manual/corrected W-2s produced.	60	6%	
2008	Customer Results	Customer Benefit	Customer Satisfaction	Percent of employee payments made by scheduled pay date.	95%	99%	
2008	Mission and Business Results	Human Resource Management	Compensation Management	Percent reduction of manual T&A transactions.	14,253 transactions	6% reduction in manual T&A transactions	
2008	Technology	Efficiency	Improvement	Percent reduction in unique types of pay-related Nature of Actions that require manual processing in CAPPS.	195,881	5%	

## I.E. Security and Privacy

In order to successfully address this area of the business case, each question below must be answered at the system/application level, not at a program or agency level. Systems supporting this investment on the planning and operational systems security tables should match the systems on the privacy table below. Systems on the Operational Security Table must be included on your agency FISMA system inventory and should be easily referenced in the inventory (i.e., should use the same name or identifier).

All systems supporting and/or part of this investment should be included in the tables below, inclusive of both agency owned systems and contractor systems. For IT investments under development, security and privacy planning must proceed in parallel with the development of the system/s to ensure IT security and privacy requirements and costs are identified and incorporated into the overall lifecycle of the system/s.

Please respond to the questions below and verify the system owner took the following actions:

1. Have the IT security costs for the system(s) been identified and integrated into the overall costs of the investment:	Yes
a. If "yes," provide the "Percentage IT Security" for the budget year:	0

2. Is identifying and assessing security and privacy risks a part of the overall risk management effort for each system supporting or part of this investment.	Yes
5. Have any weaknesses related to any of the systems part of or supporting this investment been identified by the agency or IG?	No
a. If "yes," have those weaknesses been incorporated agency's plan of action and milestone process?	No
6. Indicate whether an increase in IT security funding is requested to remediate IT security weaknesses?	No
a. If "yes," specify the amount, provide a general description of the weakness, and explain how the funding request will remediate the weakness.	

#### I.F. Enterprise Architecture (EA)

In order to successfully address this area of the business case and capital asset plan you must ensure the investment is included in the agency's EA and Capital Planning and Investment Control (CPIC) process, and is mapped to and supports the FEA. You must also ensure the business case demonstrates the relationship between the investment and the business, performance, data, services, application, and technology layers of the agency's EA.

1. Is this investment included in your agency's target enterprise architecture?	Yes
a. If "no," please explain why?	
2. Is this investment included in the agency's EA Transition Strategy?	Yes
a. If "yes," provide the investment name as identified in the Transition Strategy provided in the agency's most recent annual EA Assessment.	Consolidated American Payroll System (CAPPS) and Interagency ePayroll Migration
b. If "no," please explain why?	

#### 3. Service Reference Model (SRM) Table:

Identify the service components funded by this major IT investment (e.g., knowledge management, content management, customer relationship management, etc.). Provide this information in the format of the following table. For detailed guidance regarding components, please refer to <http://www.whitehouse.gov/omb/egov/>.

Agency Component Name	Agency Component Description	Service Domain	FEA SRM Service Type	FEA SRM Component	FEA Service Component Reused Name	FEA Service Component Reused UPI	Internal or External Reuse?	BY Funding Percentage
Payment /	Support the process of accounts	Back Office	Financial	Payment /	Payment / Settlement	005-03-01-01-01-	External	10

Settlement	payable	Services	Management	Settlement		2000-00-403-253		
Payroll	Involve the administration and determination of employees compensation	Back Office Services	Financial Management	Payroll	Payroll	005-03-01-01-01-2000-00-403-253	External	65
Time Reporting	Support the submission, approval and adjustment of an employee's hours	Back Office Services	Human Resources	Time Reporting	Time Reporting	005-03-01-01-01-2000-00-403-253	External	25

**Use existing SRM Components or identify as "NEW". A "NEW" component is one not already identified as a service component in the FEA SRM.**

**A reused component is one being funded by another investment, but being used by this investment. Rather than answer yes or no, identify the reused service component funded by the other investment and identify the other investment using the Unique Project Identifier (UPI) code from the OMB Ex 300 or Ex 53 submission.**

**'Internal' reuse is within an agency. For example, one agency within a department is reusing a service component provided by another agency within the same department. 'External' reuse is one agency within a department reusing a service component provided by another agency in another department. A good example of this is an E-Gov initiative service being reused by multiple organizations across the federal government.**

**Please provide the percentage of the BY requested funding amount used for each service component listed in the table. If external, provide the funding level transferred to another agency to pay for the service.**

#### 4. Technical Reference Model (TRM) Table:

**To demonstrate how this major IT investment aligns with the FEA Technical Reference Model (TRM), please list the Service Areas, Categories, Standards, and Service Specifications supporting this IT investment.**

FEA SRM Component	FEA TRM Service Area	FEA TRM Service Category	FEA TRM Service Standard	Service Specification (i.e. vendor or product name)
Payroll	Component Framework	Data Management	Database Connectivity	Open Database Connectivity (ODBC)
Payroll	Component Framework	Presentation / Interface	Static Display	Hyper Text Markup Language (HTML)
Payroll	Component Framework	Security	Certificates / Digital Signatures	Digital Certificate Authentication
Payroll	Service Access and Delivery	Access Channels	Web Browser	Internet Explorer
Payroll	Service Access and Delivery	Service Requirements	Hosting	External (ISP/ASP/FirstGov)
Payroll	Service Access and Delivery	Service Requirements	Legislative / Compliance	Privacy: Liberty Alliance
Payroll	Service Access and Delivery	Service Requirements	Legislative / Compliance	Section 508
Payroll	Service Access and Delivery	Service Requirements	Legislative / Compliance	Security
Payroll	Service Access and Delivery	Service Transport	Service Transport	Internet Protocol (IP)
Payroll	Service Access and Delivery	Service Transport	Service Transport	Transport Control Protocol (TCP)
Payroll	Service Interface and Integration	Interface	Service Description / Interface	Application Program Interface (API) / Protocol
Payroll	Service Platform and Infrastructure	Delivery Servers	Web Servers	Internet Information Server
Payroll	Service Platform and Infrastructure	Support Platforms	Platform Dependent	Windows 2000

Service Components identified in the previous question should be entered in this column. Please enter multiple rows for FEA SRM Components supported by multiple TRM Service Specifications

In the Service Specification field, Agencies should provide information on the specified technical standard or vendor product mapped to the FEA TRM Service Standard, including model or version numbers, as appropriate.

5. Will the application leverage existing components and/or applications across the Government (i.e., FirstGov, Pay.Gov, etc)? Yes

a. If "yes," please describe.

When completed, this investment will have resulted in the retirement of a legacy payroll system -- which is one of the key aims of the government's e-Payroll consolidation effort and, related to this, leverage an application provided through one of the OMB/OPM approved e-Payroll services providers.

6. Does this investment provide the public with access to a government automated information system? No

a. If "yes," does customer access require specific software (e.g., a specific web browser version)?

1. If "yes," provide the specific product name(s) and version number(s) of the required software and the date when the public will be able to access this investment by any software (i.e. to ensure equitable and timely access of government information and services).

## Exhibit 300: Part II: Planning, Acquisition and Performance Information

### II.A. Alternatives Analysis

Part II should be completed only for investments identified as "Planning" or "Full Acquisition," or "Mixed Life-Cycle" investments in response to Question 6 in Part I, Section A above.

In selecting the best capital asset, you should identify and consider at least three viable alternatives, in addition to the current baseline, i.e., the status quo. Use OMB Circular A- 94 for all investments, and the Clinger Cohen Act of 1996 for IT investments, to determine the criteria you should use in your Benefit/Cost Analysis.

1. Did you conduct an alternatives analysis for this project? Yes

a. If "yes," provide the date the analysis was completed?

b. If "no," what is the anticipated date this analysis will be completed?

c. If no analysis is planned, please briefly explain why:

4. What specific qualitative benefits will be realized?

The State Department currently maintains a significant contractor team of COBOL programmers to maintain the current legacy system. The cost of even simple changes to the



current system is quite high due to its two-decade-old system architecture. Likewise, most payroll routines are hard coded in the current programs, making modifications time consuming and difficult. Once the migration to an e-Gov payroll services provider has occurred, the State Department will be able to reduce the number of contractor staff significantly. Moreover, the Department expects to mitigate future project risks that might otherwise require a life cycle cost adjustment through the negotiation of a Performance-based, long-term Service Level Agreement (SLA) with NFC -- the Department's likely e-Payroll provider.

## II.B. Risk Management

**You should have performed a risk assessment during the early planning and initial concept phase of this investment's life-cycle, developed a risk-adjusted life-cycle cost estimate and a plan to eliminate, mitigate or manage risk, and be actively managing risk throughout the investment's life-cycle.**

<b>1. Does the investment have a Risk Management Plan?</b>	Yes
<b>a. If "yes," what is the date of the plan?</b>	6/30/2006
<b>b. Has the Risk Management Plan been significantly changed since last year's submission to OMB?</b>	No

**c. If "yes," describe any significant changes:**

<b>2. If there currently is no plan, will a plan be developed?</b>	
<b>a. If "yes," what is the planned completion date?</b>	
<b>b. If "no," what is the strategy for managing the risks?</b>	

### **3. Briefly describe how investment risks are reflected in the life cycle cost estimate and investment schedule:**

CAPPS investment risks are evaluated along two dimensions: potential impact and probability of occurrence. Risks determined to have a medium or higher probability of occurrence (greater than 30% chance) and/or a medium or higher impact (e.g., moderate to significant cost, schedule or scope change) are required to follow the mitigation strategy, contingency planning, and risk-adjusted life cycle costs estimation methodology contained in the CAPPS Risk Management Plan. Life cycle estimates are risk adjusted by determining the incremental cost associated with addressing priority risks and applying the probability to this amount. Schedule adjustments are computed in a similar manner -- i.e., the incremental schedule impact is first determined and then adjusted based on probability of occurrence.